

**JANUARY-
SEPTEMBER 1998
RESULTS**

November 1998

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1- CONSOLIDATED RESULTS FOR JANUARY-SEPTEMBER 1998

2- FINANCIAL IMPACT OF NEW INVESTMENTS IN BRAZIL

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FINANCIAL HIGHLIGHTS

(Billion pesetas)	Jan-Sept.98	Jan-Sept.97	Change
OPERATING REVENUES	2,148	2,022	6.2%
EBITDA	1,186	1,088	9.1%
% EBITDA	55.2%	53.8%	1.4 p.p.
NET INCOME	163.3	141.8	15.2%
CASH FLOW	842.8	790.0	6.7%

TASA/COINTEL FULLY CONSOLIDATED FIGURES THROUGHOUT THE DOCUMENT

GROWTH AND DIVERSIFICATION

Revenues from operations (Billion pesetas)	Sept. 1998	Structure	Bn pts. Δ 98/97	Increase in Growth
Telefónica de España	1,229	49%	38	16%
Telefónica Internacional	675	27%	56	24%
Telefónica Móviles	338	14%	74	32%
Others	256	10%	62	28%
Subtotal	2,498	100%	230	100%
Intragroup Sales	350			
TOTAL	2,148			

EBITDA (billion ptas)	Sept. 1998	Structure	Bn pts. Δ 98/97	Increase in Growth
Telefónica de España	644	54%	-13.4	-14%
Telefónica Internacional	357	30%	7.9	8%
Telefónica Móviles	150	13%	77.4	79%
Others and eliminations	35	3%	26.4	27%
TOTAL	1,186	100%	98.5	100%

TELEFONICA DE ESPAÑA: REVENUE FROM OPERATIONS

	Mill. Ptas. Sept. -98	%Change 98/97	Structure Sept. -98
REVENUE DERIVED FROM USAGE	777,740	2.3%	63.3%
BASIC TELEPHONY/ MONTHLY FEE	179,946	6.0%	14.6%
BASIC TELEPHONY/ CONNECTION FEE	15,387	(18.5%)	1.3%
MONTHLY FEE (OTHERS)	157,763	11.9%	12.8%
CUSTOMERS PREMISES EQUIPMENTS	49,069	(9.1%)	4.0%
OTHERS	48,922	5.4%	4.0%
REVENUES FROM OPERATIONS	1,226,827	3.2%	100%

KEYPOINTS BEHIND SLOWDOWN

- Market share loss
- Tariffs reduction
- Discounts Programs ("Planos Claros")
- Optimisation of Mobiki: interconnection points
- Tariff rebalancing

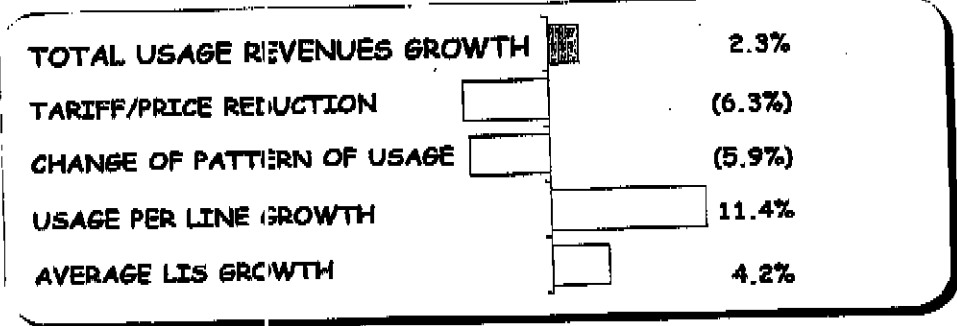
TARIFF CHANGES

- March 97 ILB: -8.8%
- April 97 DLD: -5%
- Reduction on 2° lines connection fee
- July 97 DLD: -5%
- Jan. 98 Circuits rental reduction (8% - 33%)
- March 98 ISDN: connect. and monthly fee reductions
- Fixed to mobile call reductions (15%)
- Aug. 98 Tariff rebalancing

TELEFONICA DE ESPAÑA: USAGE (I)

MINUTES/LINE/DAY EVOLUTION

	Sept.96	Sept.97	Sept.98
Min./Line/Day	9.85	10.6	11.8
1 year increase	8.7%	7.6%	11.4%

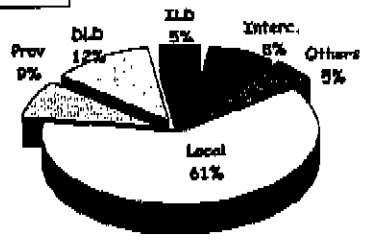
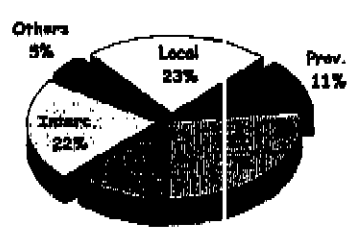


TELEFONICA DE ESPAÑA: USAGE (II)

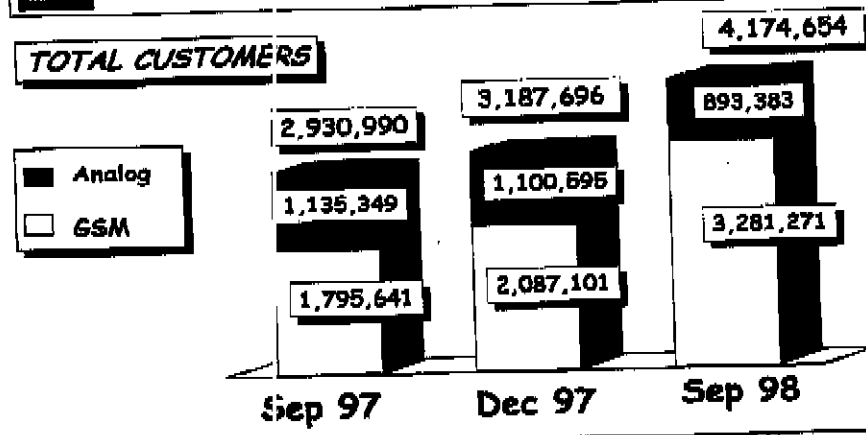
REVENUES FROM USAGE
 Accumulated (millions ptas.)
 Sept. 98: 777,740
 ▲ Sept.98/97: 2.3%

	% Year over Year	
	Revs.	Min.
Local	19.6%	17.8%
Prev.	-1.7%	-1.6%
DLD	-14.4%	-7.2%
ILD	0.9%	15.3%
Interconn.	23.8%	47.0%

TOTAL TRAFFIC (MINUTES)
 Accumulated (millions)
 Sept. 98: 52,121
 ▲ Sept.98/97: 16.1%

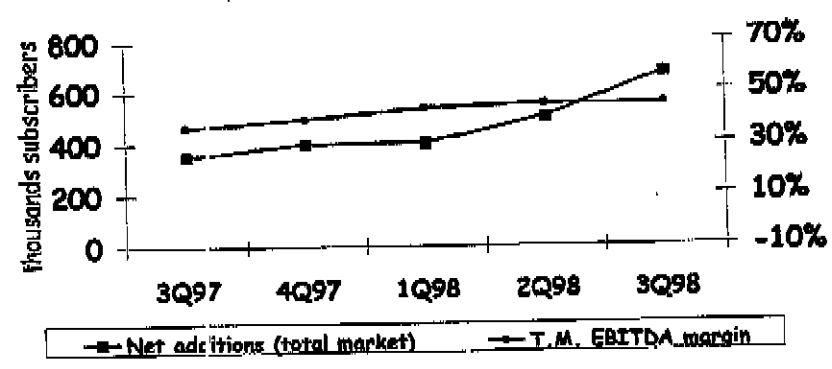


TELEFÓNICA MÓVILES: CUSTOMER BASE



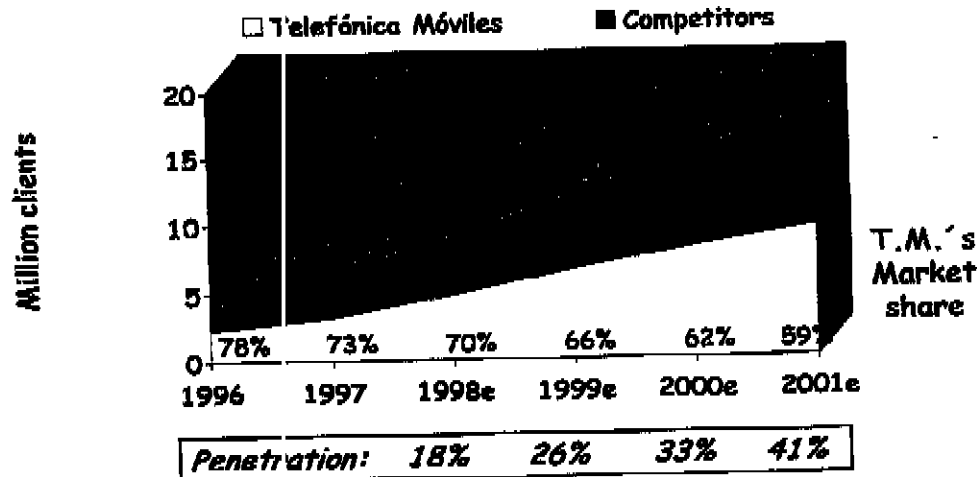
Annual growth as of Sep-98: 42.2%
Pre-paid customers: 1,252,031

TELEFONICA MOVILES: QUARTER NET ADDITIONS VS EBITDA MARGIN



	3Q97	4Q97	1Q98	2Q98	3Q98
Market share	74.4%	73.5%	72.4%	71.2%	70.6%
Net income	10.5	12.3	12.1	22.7	26.2

MARKET EVOLUTION: 1996 - 2001



TELEFONICA INTERNACIONAL: GROWTH IN CUSTOMER BASE

(thousands)	Lines in service		Cellular customers		Cable TV customers	
	Sept. 1998	Change 98/97	Sept. 1998	Change 98/97	Sept. 1998	Change 98/97
TISA management	15,506	81.1%	3,064	127.3%	588	28.9%
CTC	2,608	13.9%	467	130.9%	280	15.1%
TDP	1,549	-2.4%	462	60.4%	309	44.7%
TASA	3,974	5.5%	797	33.1%		
CRT	1,335	45.9%	464	79.7%		
TELESP-CTBC	6,040	n.s.				
TELESUDESTE			695	n.s.		
TELEESTE			238	n.s.		
Financial Holdings						
CANTV	2,760	5.0%	553	83.1%		
Telesp Cellular			1,593	n.s.		
Cablevision (*)					1,518	35%
TOTAL	18,266	63.6%	5,210	215.8%	2,106	35%

Significant increase in market size after Brazilian investments
000317/PPT (*) 1997 figures correspond to Telefónica's customers.

TELEFONICA INTERNACIONAL

(Million ptas)	JANUARY- SEPTEMBER	98 CHANGE	
Revenues	675,605	9.1%	OPERATING: • MODERATE INCREASE IN REVENUES DUE TO ECONOMIES SLOWDOWN. • STRONG GROWTH OF BAD DEBT PROVISIONS. NON OPERATING: • NEGATIVE NET MONETARY CORRECTION IN CHILE & PERU. • HIGHER INTEREST EXPENSES DUE TO THE INCREASE IN DEBT AT OPERATING COMPANIES & HOLDING LEVEL.
EBITDA(*)	356,990	2.3%	
% EBITDA	52.9%	-3.5 p.p.	
Net Income	20,042	-21.3%	

(*) 53.4 % Excluding the increase of bad debt provision

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OPERATING EXPENSES


TELEFONICA GROUP

(Million pesetas)	January-Sept. 1998	Change 98/97
Operating expenses	973,336	(0.2%)
• Supplies	220,674	(0.8%)
• Personnel expenses	490,978	2.4%
• Subcontracts	225,966	(5.9%)
• Taxes	35,718	9.5%

NET FINANCIAL EXPENSES

TELEFONICA GROUP (Million pesetas)	January-Sept. 1998	Change 97/98
Net interest	145,723	7.6%
Net exchange losses	2,787	-68.8%
Provisions	9,951	-8.1%
Others (Corrección Monetaria)	16,688	c.s.
Financial Results	175,149	16.6%

EXTRAORDINARY RESULTS

TELEFONICA GROUP (Million pesetas)	January-Sept. 1998	Change 97/98
Extraordinary income	45,023	84.2%
Extraordinary expenses	146,735	16.9%
• Dismantled plant pending depreciation	23,904	(0.5%)
• Voluntary retirement/release plan	73,750	14.3%
• Others	49,081	32.6%
		
Extraordinary results	(101,712)	0.6%

TELEFONICA GROUP: TOTAL INVESTMENT

(Million pesetas)	January-Sept. 1998	Change 97/98
Total Investment	1,454,498	120.4%
• CAPEX	448,025	(13.9%)
• FINANCIAL INVESTMENT	1,006,463	609.3%
Telefónica de España	200,082	(12.7%)
• Telefónica Internacional	172,031	(19.1%)
• Telefónica Móviles	62,938	(11.5%)
• Others (including consol. adjustments)	12,984	148.4%

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INVESTMENTS IN BRAZIL

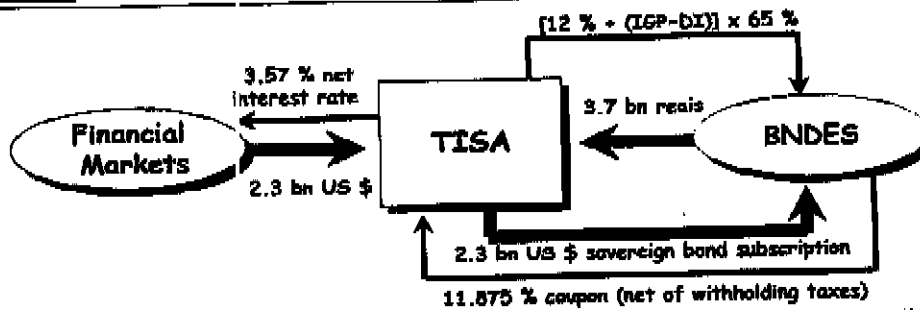
COMPANY	TISA'S STAKES IN CONSORTIA (*)	AMOUNT (Bn.\$)(**)
TELESP PARTICIP.	63.0%	3.13
TELESP CELLULAR PARTICIP.	35.8%	1.10
TELESUDESTE CELLULAR PARTICIP.	82.5%	0.96
TELEESTE CELLULAR PARTICIP.	38.0%	0.14
TOTAL INVESTMENT		5.34

PAYMENTS STRUCTURE

- 2.14 Bn.\$ paid on August 98 (40%):
 - ⇒ Right Offering + Credit Lines: 1.24 Bn.\$
 - ⇒ Consortium Bond Issue (1.5 Bn.\$ x 63%): 0.95 Bn.\$
- 3.7 Bn. reais (3.2 Bn.\$ (**)) to be paid within the next 2 years (60%):
 - ⇒ Government funding in reais
 - ⇒ Interest rate: 12% + (IGP-DI)

(*) Current stakes, subjected to changes. (**) Exchange rate 8/4/98: 1.166

RISK MANAGEMENT IN BRAZIL



- Bond maturity of pre-amortization linked to deferred payment dates of government funding (reais).
- Should defaults occur, TISA can cancel its debt with BNDES with the bond.
- Tax savings on interest expenses as a result of moving debt outside Brazil.

NPV of SAVINGS: 250.M\$

DILUTION EFFECTS OF BRAZILIAN ACQUISITION

- X Investment: 5.34 bn.\$
- X Goodwill: 75% ⇒ Progressive amortization 25-27 years
- X Financing: {
 - 23% - Cash + Credit Lines
 - 17% - US\$ at 5.5%
 - 60% - Reais at 12% + (IGP -DI)
- X △ Income from associated companies
- X Brazilian Sovereign bond ⇒ Net savings 250 M.\$

	98E	99E	2000E
Dilution effects	-0.4%	+0.3%	+1.9%

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